

Message Text

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PAGE 01 BUDAPE 01248 010810Z

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 AGR-05 FEA-01

SAJ-01 SAM-01 /106 W

----- 119485

R 010554Z MAY 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 3099

INFO DEPT OF COMMERCE WASHDC

AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

USDEL MTN GENEVA

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ETRD, HU

SUBJ: HUNGARIAN FOREIGN TRADE DEFICIT GROWS LARGER

1. JUST RELEASED STATISTICS FOR JAN AND FEB 1975 SHOW
CONTINUED DETERIORATION IN HUNGARY'S FOREIGN TRADE WITH
BOTH WESTERN COUNTRIES AND CEMA PARTNERS. IN FIRST TWO
MONTHS OF YEAR TOTAL IMPORTS ROSE 37 PERCENT AS COMPARED WITH
SIMILAR PERIOD IN 1974 WITH OVERALL EXPORTS ACTUALLY
REGISTERING A SMALL DECLINE. IN HARD CURRENCY TRADE
HUNGARY'S PURCHASES FROM ABROAD JUMPED 60 PERCENT OVER LAST
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YEAR'S LEVELS TO 3.8 BILLION DEvisa FORINTS (DFT)

(\$446 MILLION), WHILE EXPORTS FOR HARD CURRENCY ACTUALLY DROPPED 1.3 PERCENT TO 2.3 BILLION DFT (\$270 MILLION). (\$1 EQUALS 8.51 DFT) ACCORDING TO CENTRAL STATISTICAL OFFICE FIGURES TOTAL HARD CURRENCY TRADE DEFICIT, INCLUDING TRANSPORTATION CHARGES, FOR TWO MONTH PERIOD 1.62 BILLION DFT (\$190 MILLION) AS COMPARED TO 115 MILLION DFT IN SAME PERIOD OF 1974.

2. ALTHOUGH DETERIORATION OF HUNGARIAN TRADE BALANCE IN RUBLE TRADE NOT AS DRAMATIC AS WITH HARD CURRENCY GOODS EXCHANGES, IT IS NEVERTHELESS SIZABLE. RUBLE IMPORTS ROSE 19.5 PERCENT TO 3.4 BILLION DFT WHILE EXPORTS JUMPED A MERE 1 PERCENT TO 2.95 BILLION DFT. HUNGARIAN DEFICIT IN RUBLE TRADE FOR JAN AND FEB 1975 TOTALED 650 MILLION DFT AS COMPARED WITH 115 MILLION DFT FOR SIMILAR PERIOD IN 1974. (1 RUBLE EQUALS 13.11 DFT)

3. COMMENT: JUDGING BY PERFORMANCE OF FIRST TWO MONTHS IT APPEARS THAT HUNGARIAN FOREIGN TRADE PICTURE IN 1975 MAY BE CONSIDERABLY BLEAKER THAN IN 1974 WHEN RECORD \$600 MILLION DEFICIT WAS RECORDED IN HUNGARY'S HARD CURRENCY TRADE. WHILE PRESS COMMENT ON TRADE DEFICIT STRESSES THAT COMMON MARKET MEAT EMBARGO A MAJOR REASON FOR DETERIORATION IN HUNGARIAN HARD CURRENCY TRADE BALANCE, THIS FACTOR ALONE CANNOT EXPLAIN EVER INCREASING SIZE OF HARD CURRENCY TRADE DEFICITS. STAGNATION IN HUNGARY'S WESTERN EXPORTS APPEARS TO INDICATE THAT WESTERN RECESSION IS HINDERING EFFORTS BY HUNGARIAN EXPORTERS TO INCREASE THEIR SALES TO HARD CURRENCY CUSTOMERS. HUNGARIAN SALES TO MIDDLE EASTERN OIL STATES WERE INSIGNIFICANT, INDICATING THAT CONSIDERABLE EFFORTS TO PENETRATE RICH ARAB MARKET HAVE YET TO BEAR FRUIT. PERSISTENCE OF WESTERN INFLATION CERTAINLY MAJOR REASON FOR LARGE JUMP IN HARD CURRENCY IMPORTS. GOH MEASURES TO RESTRICT IMPORT GROWTH THROUGH TIGHT CREDIT POLICY AND CLOSER SCRUTINY OF IMPORT LICENSE APPLICATIONS APPARENTLY HAVE YET TO HAVE DESIRED EFFECT. DETERIORATION IN HUNGARIAN TRADE WITH CEMA CLEARLY A RESULT OF PRICE CHANGES HEAVILY FAVORING SOVIET OIL AND OTHER RAW MATERIALS WHICH IN EFFECT SINCE FIRST OF YEAR.

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PAGE 03 BUDAPE 01248 010810Z

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